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TRANSIT TRANSPORT SYSTEMS FOR BOLIVIA AND PARAGUAY

Issues, actions and constraints

Report by the UNCTAD secretariat

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Part One

BOLIVIA

I. TRANSIT REGIMES

A. Routing and distribution of traffic

1. Ports on the Atlantic and Pacific Oceans constitute the main outlets for Bolivia's foreign trade with nations outside South America. The bulk of the commodities are moved through the following six ports:

- . Santos in Brazil
- . Rosario and Buenos Aires in Argentina
- . Arica and Antofagasta in Chile and
- . Matarani in Peru.

2. Over 58 per cent of Bolivia's exports and imports pass through the Pacific ports. The great bulk of cargo moves by rail, partly because of the general unreliability of road transport. It is estimated that only about 4 per cent of the roads are paved. Furthermore rail offers definite cost advantages on such long hauls. The existing links to each of the ports can be briefly described as follows:

B. Transit infrastructure and facilities

- . Santos - Since there is at present only very poor road access from Santa Cruz to the Brazilian border, most Bolivian traffic to and from Santos and other Brazilian cities uses the railroad. The northern towns of Cobiya, Guayaramerin and Riveralta are directly connected to the Brazilian road systems, and there are some imports by truck from Sao Paulo and Santos.
- . Rosario and Buenos Aires - Road transport takes place all the way from Tarija to these ports but is relatively costly. There are good rail connections through Villazon and Yacuiba, making rail the preferred mode of transport to and from the Argentine ports.
- . Antofagasta - Access is almost impossible by road and only about 260 km of the 1,214 km from La Paz are paved. Good service is provided by the Antofagasta Railway which carries nearly all the cargo moving through this port.

Arica - Access is possible by both road and rail, although only 160 km of the 581 km road from La Paz are paved. The railroad service is poor, due to the poor state of the track on both sides of the border, and also due to lack of equipment.

- . Matarani - Again both road and rail connections exist with this Peruvian port. Rail access at present involves a shipping link on Lake Titicaca between Guaqui and Puno, where cargo transfers to the Peruvian railroads.

- . Ilo - Only road access exists to this little used port, but roads are in poor condition and are subject to interruption in the rainy season. However, the route Ilo-La Paz is much shorter than that from Matarani.

3. The Paraguay River, which touches the Bolivian frontier in the south-eastern corner of the country at Puerto Busch, is a potentially important international route for goods transport. The Paraguay River offers the possibility of river transport to Rosario, Buenos Aires or the Uruguayan deep-water port of Nueva Palmira, for transshipment to ocean-going vessels, or to the steel works at San Nicolas in Argentina. For traffic originating in the east of Santa Cruz, this route would be considerably cheaper than the alternatives by road or rail. However, at present, the volume of Bolivian traffic using the river is small.

Air transport

4. The four main international airports at La Paz, Santa Cruz, Cochabamba and Trinidad. Air-freighting has been increasing over the last years. International cargo handled amounted to 7,000 tons in 1989. The bulk of this cargo consists of imports from USA and Europe. There are projects under way to upgrade the infrastructural facilities at the above airports and other regional airports.

C. Suppliers and transit services

5. The organization of the transport sector which also deals with transit issues is in the Ministry of Transportation. On the operational front there are a number of directorates that are responsible for various technical sector namely the directorates of roads, railways, customs, shipping and civil aviation. There are also several private sector organizations involved in road haulage and cargo clearing and forwarding organizations.

D. Legal framework and institutional arrangements

6. Bolivia has a range of bilateral and subregional legal and administrative agreements and arrangements with its transit neighbours (Argentina, Brazil, Chile and Peru) for the regulation of transit operations along the corridors to the Atlantic and Pacific ports. The most important of these is the Treaty of Peace and Friendship of 1904 which was signed by Bolivia and Chile on 20 October 1904. Since 1904 other agreements have been signed by the two countries. These include:

- . Complementary Protocol to the Peace Treaty (1904)
- . Convention for the Construction and Exploitation of the Arica-La Paz Railway (1905)
- . Convention on Guarantee of Railways (1907)
- . Acts relative to transferring to the Bolivian section of the Arica-Alto-La Paz Railroad (1928)
- . Protocol on Exploitation of the Arica-La Paz Railway (1937)
- . Convention on Transit (1937)

- . Treaty on economic matters (1955). (Tratado de Complementación Económica Chileno-boliviano)
- . Agreement on the Sica-Sica (Bolivia) to Arica (Chile) Pipeline of Yacimientos Petrolíferos Fiscales Bolivianos (1957)
- . Agreement to modify the Agreement on the Sica-Sica to Arica Pipeline (1974).

7. Bolivia is also a contracting party to the river transport agreement with Paraguay, Argentina, Brazil and Uruguay, which is designed to further develop and improve the river transport operations along the Parana and Paraguay river. This initiative is going to pave the way for more efficient transit traffic along the river corridors. Bolivia also recently signed a trade agreement with Chile, which is expected to have a positive impact on Bolivia's trade potential.

8. The agreement with Chile constitute the most comprehensive legal administrative framework for facilitating the movement of Bolivian cargo through the Chilean ports of Arica and Antofagasta, which currently handle the bulk of Bolivian transit traffic. The 1904 treaty in particular grants Bolivia diverse facilities for transit through Chilean territory including the special port facilities and rights in the above two Chilean ports. According to the treaty, Bolivia has direct responsibilities in the control of the movement of its merchandise in transit.

II. TRANSIT CONSTRAINTS

9. In spite of the transit agreements and arrangements of Bolivia with its neighbouring coastal States the country still faces a number of serious constraints, which reduce the efficiency of the transit system and lead to increased transport costs. These include the following:

A. Roads

10. The road transit infrastructure is still very inadequate but the expanded road rehabilitation programme under way should improve the situation. As progress in the implementation of the road development programme continues it will be crucial to shift the emphasis to the maintenance of the road network. Experience in other regions particularly in Africa has demonstrated that the poor maintenance of the road infrastructure has led to its rapid deterioration and given rise to a significant increase of transport costs. The major factor in this regard is the tendency to overload freight vehicles. There will therefore be an urgent need in Bolivia to set and enforce axle-load limits and to harmonize axle-load regulations concerned with international road use. Furthermore initiatives will have to be taken to harmonize road user charges along the international routes between the transit ports and the internal destinations in Bolivia. These will require coordination arrangements between Bolivia and the transit countries.

B. Railways

11. The major constraint on the rail links with Chile is the limited capacity of railways partly due to limited availability of wagons. Within the ports the wagon handling equipment is reported to be also poor. The rail services to the ports of Rosario and Buenos Aires in Argentina are of less importance because of longer distances and poor bilateral transit arrangements.^s The rail service from La Paz to Matarani (Peru) is also of less significance because of the logistical problems connected with transshipment at the rail/lake interface. These poor infrastructure facilities are largely responsible for the high transit costs between the ports and the inland destinations in Bolivia which - it is reported - are sometimes higher than the ocean freight charges.

C. Customs documentation and procedures

12. Customs documentation and procedures have been a matter of concern in Bolivia and the Government has taken an initiative with the help of UNDP to review the current system. This review has now been completed and proposals are being made to introduce a change in the system. ECLAC has also assisted in streamlining the customs documentation but there is a general view that the number of documents currently in use for clearing transit cargo could still be further reduced. There is also some concern that the documentary procedures for the release of containers are cumbersome and that they need to be simplified. The "Integrated Transit System" which was introduced in April 1975, with respect to transit cargo through the Chilean ports, was designed inter alia to streamline all the procedural and documentary operations related to the movement of transit cargo. It has generally been regarded as a "model". There are however now some reservations in Bolivia about its adequacy. The changes in the transit situation which has evolved over the last years appear to demand a review of the system. Another major constraint is related to the low level of professional skills among the personnel dealing with customs and transit documentation.

D. Administrative and non-physical barriers

13. There are several administrative and non-physical barriers which cause delays and lead to additional transit costs. These include: poor facilities for the weighing of trains before departure; delays in getting off-take transport services; restrictive sanitary regulations by Chilean authorities for specific transit cargoes; cumbersome SGS procedures for the verification of imported goods; and the requirement that rail wagons must be returned to the ports before new consignment can be dispatched (problem of limited availability of wagons).

Part Two**PARAGUAY****I. TRANSIT REGIMES**A. Routing and distribution of traffic

14. Paraguay's access routes to international markets are mainly through Argentina and Brazil. Paraguay also uses facilities in Chile and Uruguay. About 59 per cent of the exports are transported by road, 37 per cent by waterways and 4 per cent by rail. Airfreighting is still quite insignificant. With regard to imports, 66 per cent of petroleum and iron is transported by river, 32 per cent by road and only 2 per cent by rail.

15. Paraguay uses the following routes for its exports and imports.

Road corridors

- . Asuncion to the Brazilian seaport of Paranagua.
- . Asuncion to the Brazilian seaport of Rio Grande via Argentina.
- . Asuncion to Buenos Aires along the Paraguay River.
- . Asuncion seaport of Nueva Palmira (Uruguay).
- . Asuncion to the Chilean seaport of Antofagasta via Argentina.
- . Asuncion to the seaport of Valparaiso via Argentina.

Waterways

- . Asuncion via the Rio de la Plata to Buenos Aires.
- . Ciudad del Este via the Parana/Paraguay/Rio des la Plata rivers to Buenos Aires.

Rail corridors

- . Encarnacion to the seaport of Rio Grande (Brazil).
- . Encarnacion to the sea port of Nueva Palmira (Uruguay).
- . Encarnacion to Zarate (Argentina).
- . Encarnacion to Rosario (Argentina).

B. Transit infrastructure and facilitiesWaterways

16. Waterways play an important role in Paraguay's transit corridor system. In 1976, approximately 87 per cent of total exports of Paraguay was transported by waterways. This share, however, has declined to 37 per cent in recent years. This decline is largely due to the increased use of roads, particularly for agricultural exports through the Brazilian seaport of Paranagua. Major efforts are under way to improve the

efficiency of waterways which have been having capacity and operational constraints.

Roads

17. The most important road is from Asuncion to Ciudad del Este to the Brazilian port of Paranagua. Some 60 per cent of soyabeans exports is at present transported by this road. The increased use of this road is linked to the more efficient installations and facilities at Paranagua with respect to loading, unloading, container depots, etc. These facilities enable the Paraguayan exporters to guarantee importers the quality and prompt delivery of products.

18. The road systems of Paraguay and Argentina are connected by two main transshipment points over rivers: Ita Enramada-Puerto Pilcomayo and Encarnacion-Posadas. The international cargo traffic is not sufficiently developed in either of these road systems. Within Paraguay two roads leading towards its borders have been built in recent years, and although these do not carry important international traffic, they constitute development axes which will have increasing importance in due course. The most important is the Transchaco road (759 km), which connects Asuncion with Fortin General Garay on the border with Bolivia. The other links the north-east frontier with Brazil.

Railways

19. A 370 km railway connects Asuncion to Encarnacion at the southern border with Argentina, where via the Parana river the wagons are put on Argentine railways. There are two trains which are operating weekly between Asuncion and Encarnacion. Transport of soyabeans and wheat from Encarnacion to ports in Argentina and Uruguay is undertaken by goods trains of Argentina and Uruguay.

Air transport

20. The only international airport is at Asuncion. Another international airport is under construction at Ciudad del Este. The amount of cargo being transported by air is still very modest. Two national companies, Lineas Aéreas Paraguayas (LAP) and Transporte Aéreo Militar (TAM) compete with foreign companies only on the Asuncion-Buenos Aires-Montevideo routes. Cargo handled at Asuncion airport amounted to 3,150 tons in 1989. The volume of import cargo is by far more than exports, a trend which in future is expected to intensify. No information is available for air cargo export items, but most air cargo imports consist of electronics goods.

Ports

21. The main internal ports along the Paraguay River are Concepcion, Asuncion and Villeta. The port of Concepcion is the centre for transshipment of soya. The port of Asuncion is used for the exports of cotton fibres and is the main port for import items. The port of Villeta, 37 km south of Asuncion, is also

used for exports of soyabeans and cotton. the main port on the Parana River is Encarnacion, which is also being used for exports of soya. In addition to the main ports, there are several small ports which are run largely by the private sector. These include a dry port at the border with Brazil, the ports of Ciudad del Este and Saltos de Guaria on the Parana River, a port at Pedro Juan Caballero on the Brazilian border and the Falcon port which is situated at the Argentine border, on the Pilcomayo River.

22. Paraguay has free ports in Argentina, Brazil, Chile and Uruguay. Access to free ports in Brazil and Chile is by road and rail while the access to the ports in Argentina and Uruguay is by waterway. Paraguay's free ports in Brazil are Santos, Paranagua and Rio Grande. These are being used mainly for exports of soya and imports of vehicles. Paraguay's free ports in Argentina and in Buenos Aires, Rosario and Zarate. The free port of Zarate is being used as a terminal for imports of petroleum. Paraguay's free ports in Uruguay are in Montevideo for imports of vehicles and miscellaneous manufactured goods and in Nueva Palmira for soyabean exports.

C. Suppliers of transit services

23. The organization of the transport sector in Paraguay which also deals with transit services is in the Ministry of Public Works and Communications. It administers public sector warehouses. The Ministry of National Defence is in charge of activities related to aviation. On the operational front the National Administration of Navigation and Ports is responsible for administration, maintenance and development of waterways navigation and ports. La Flota Mercante del Estado is in charge of waterways transport operations. Other institutions in charge of transport and transit include the Central Railway of Paraguay, the National Directorate of Civil Aviation and the Paraguay Airlines. The Directorate of Control and Security of transit, affiliated to the Ministry of Public Works and Communications, is responsible for transport security. There are also several private sector organizations involved in road traffic and cargo clearing and forwarding operations.

D. Legal framework and institutional arrangements

24. Paraguay is a member of the Latin American Integration Association which has in-built provisions for a freer movement of goods and services. It is also a contracting party together with Argentina, Brazil and Uruguay to the Treaty of Asuncion. This treaty establishes a common market which is intended to be in place by 1995, called the "common market of the southern cone" (MERCOSUR). This treaty is going to provide greater scope for the movement of goods within the common market area and also establish a more flexible legal regime for the external trade flows of Paraguay. Paraguay is also a contracting party to the river transport agreement with Bolivia, Argentina, Brazil and Uruguay, which is designed to further develop and improve the river transport operations along the Parana and Paraguay rivers.

This initiative is going to pave the way for more efficient transit traffic along the river corridors.

II. TRANSIT CONSTRAINTS

25. Major physical constraints along Paraguay's transit corridors include the following:

. Roads

The road conditions are poor and they are compounded by inadequate regulations to govern road operations such as lack of the enforcement of axle-load limits.

. Waterways

There are limited physical installations at ports such as inadequate night signalling facilities along the rivers and insufficient warehousing. Donor resources are however being mobilized from the Inter-American Bank and the World Bank to improve the system. Paraguay has also negotiated with Uruguay and Brazil, which are now providing free port facilities.

. Railways

The physical rail infrastructure urgently needs rehabilitation. Rail equipment and wagon availability are extremely limited.

A. Customs documents and procedures

26. The transit customs documents and procedures have been improved with the establishment of the Centre for External Trade Facilitation. With the increased liberalization of exports, the documentary and procedural constraints to the movement of transit cargo should be further eased. Additional initiatives however are needed to introduce international aligned customs documents for exports and imports as well as to strengthen the Centre. The skilled manpower availabilities in the area of customs are also very limited.

B. Administrative and other non-physical barriers

27. Administrative and other non-physical barriers continue to constrain the smooth movement of transit cargo along the transit corridors. These include tolls along the waterway to Buenos Aires, time-consuming change of navigational crews within Argentina, delays at customs borders because of limited availability of customs officials, etc.